

Message Text

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ACTION IO-11

INFO OCT-01 AF-06 ISO-00 AID-05 IGA-02 SP-02 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00

CIAE-00 INR-07 NSAE-00 L-03 H-02 FRB-03 DODE-00 PA-01

USIA-06 PRS-01 IOE-00 /084 W
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FM AMEMBASSY MBABANE

TO SECSTATE WASHDC PRIORITY 9211

INFO AMEMBASSY GABORONE

AMEMBASSY MASERU

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: UNDP, EAID, WZ

SUBJECT: UNDP FINANCIAL CRISIS - SWAZILAND

1. CHARGE AND RDO MET WITH UNDP RESREP IN SWAZILAND, SHAHID HUSSEIN, AT THEIR INITIATIVE ON FEBRUARY 25 TO DISCUSS UNDP FINANCIAL CRISIS AND ITS IMPACT ON PROGRAM IN SWAZILAND. HUSSEIN SAID HE HAD BEEN INFORMED ON FEB. 9 THAT IPF FOR SWAZILAND HAD BEEN REVISED AND 1976 BUDGET CUT FROM \$2.584 MILLION TO \$1.280, A REDUCTION OF ABOUT 50 PERCENT. FURTHER, IT TPF FOR THE SECOND PROGRAMING CYCLE (1977-81) WAS CUT BACK FROM \$7.5 MILLION TO \$5.75 MILLION. AS RESULT, UNDP HAD CANCELLED ALL PROJECTS IN THE PLANNING STAGE AND THOSE IN THE PIPELINE AS WELL AS THE 10 TRAINING AWARDS THAT HAD BEEN SCHEDULED FOR THIS YEAR. IN ADDITION, ABOUT 20 OF THE 86 UNDP FUNDED ADVISORY AND OPAS EXPERTS NOW WORKING IN SWAZILAND WOULD HAVE TO BE TERMINATED BY APRIL. UNDP HAD BEEN CONSULTING WITH GOS ON WHICH PROGRAMS AND/OR POSITIONS WOULD BE ELIMINATED. ON FEB. 24, HUSSEIN HAD BEEN SUMMONED TO GOS CABINET MEETING TO EXPLAIN THE CRISIS.

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HE HAD ASKED FOR GOS DECISION IMMEDIATELY SO THAT HE COULD

CARRY OUT INSTRUCTIONS FROM HIS HEADQUARTERS.

2. DURING DISCUSSION OF REASONS FOR PRESENT UNDP FINANCIAL CRUNCH, HUSSEIN READ FROM UNDP PRESS RELEASE DEV/966 DATED 4 FEBRUARY 1976, WHICH CONTAINS FOLLOWING PARA: QUOTE THE COUNCIL WAS TOLD THAT SEVERAL ADVERSE FINANCIAL TRENDS HAD CONVERGED LATE IN 1975; A 13 PER CENT INCREASE IN THE DELIVERY OF UNDP AID OVER THE 1974 LEVEL, RAPID COST INFLATION, A \$42 MILLION DROP IN A MAJOR DONOR COUNTRY'S CONTRIBUTION BELOW THE AMOUNT UNDP HAD PLANNED UPON, A SUM OF \$72 MILLION IN PLEDGED BUT UNPAID CONTRIBUTIONS, THE ACCUMULATION OF \$30 MILLION IN WHAT THE PROGRAMME DESCRIBED AS "DIFFICULT" (NON-CONVERTIBLE) CURRENCIES, AND A RECORD LEVEL OF NET CASH OUTFLOW. END QUOTE

3. USG REPS, DRAWING ON REFTELS, OBJECTED TO IMPLICATION THAT QUOTE DROP UNQUOTE OF \$42 MILLION IN QUOTE A MAJOR DONOR COUNTRY'S CONTRIBUTION UNQUOTE (AN OBVIOUS REFERENCE TO THE U.S.) WAS RESPONSIBLE FOR UNDP FINANCIAL CRISIS. FACT THAT THIS FIGURE WAS APPROXIMATELY EQUAL TO SHORTFALL BETWEEN PLANNED EXPENDITURES IN 1976 AND CHAS ON HAND TO PAY FOR THEM MADE USE OF THIS FIGURE PARTICULARLY UNFAIR AND MISLEADING. RDO POINTED OUT THAT USG CONTRIBUTIONS IN 1974 AND 1975 HAD BEEN \$70 MILLION AND \$78 MILLION RESPECTIVELY AND THAT CONGRESS HAD AUTHORIZED, BUT NOT YET APPROPRIATED, \$120 MILLION FOR 1976. AN EARLY PAYMENT OF \$40 MILLION HAD BEEN MADE IN JANUARY, 1976, TO HELP ALLEVIATE LIQUIDITY CRISIS. HUSSEIN SAID THAT IN DISCUSSIONS WITH GOS HE HAD CITED ALL POINTS IN PARA QUOTED ABOVE AND HAD NOT STRESSED QUOTE DROP IN A MAJOR COUNTRY'S CONTRIBUTION UNQUOTE. (HOWEVER, RDO OVERHEARD UN OFFICIAL DURING DINNER CONVERSATION FEB 24 EXPLAINING TO A GOS MINISTER AND AN AID CONSULTANT THAT UNDP FINANCIAL CRISIS WAS PRIMARILY ATTRIBUTABLE TO DROP IN U.S. CONTRIBUTION.)

4. HUSSEIN ASKED IF AID COULD HELP IN FINANCING SOME POSITIONS ONCE GSO HAD DECIDED WHICH ONES WERE TO BE ELIMINATED FROM UNDP PROGRAM. RDO MADE NO COMMITMENT BUT SAID WE WOULD LOOK AT PROGRAMS AND PEOPLE THAT WERE TO BE CUT, ONCE SHAPE OF REVISED UNDP PROGRAM WAS KNOWN.

5. COMMENT: NEITHER EMBASSY NOR AID HAS YET BEEN APPROACHED BY GOS TO PICK UP PROGRAMS THAT UNDP WILL HAVE TO DROP. HOWEVER, WE LIMITED OFFICIAL USE

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EXPECT SUCH AN APPROACH SOON, APPARENTLY SENIOR GOS OFFICIALS WERE NOT AWARE OF THE CRISIS UNTIL CABINET MEETING FEB. 24, AND ARE ONLY NOW FACING THE PAINFUL DECISIONS.

6. EMBASSY/OSARAC ARE CONCERNED THAT BECAUSE OF WORDING OF UNDP PRESS RELEASE, USG MAY BE ACCUSED OF CUTBACK IN CONTRIBUTIONS BECAUSE OF ADVERSE 30TH UNGA VOTES AND USED AS SCAPE GOAT FOR UNDP'S PRESENT FINANCIAL DIFFICULTIES. WE INTEND TO SET THE RECORD

STRAIGHT WITH GOS OFFICIALS AT EVERY OPPORTUNITY. WE WOULD
WELCOME ANY ADDITIONAL ARGUMENTS DEPT. CAN PROVIDE.
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